

July 15, 2011

***Ex Parte Notice***

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

***Re: Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109***

Dear Ms. Dortch:

On July 14, 2011, Brendan Kasper, Senior Regulatory Counsel for Vonage Holdings Corp. ("Vonage"), and the undersigned met with Sharon Gillett, Lynne Engledow, Victoria Goldberg, Marcus Maher, Belinda Nixon, and Jonathan Perl of the Wireline Competition Bureau to discuss issues related to the above-referenced proceedings.

Vonage explained that bill-and-keep, rather than an out-dated access charge model, is the most appropriate interim and long-term intercarrier compensation result for interconnected voice over Internet Protocol ("VoIP") traffic for several reasons.

First, bill-and-keep for VoIP traffic is consistent with the Commission's long-term goal of transitioning all intercarrier compensation to bill-and-keep. Taking a step backwards by imposing an out-dated access charge regime on VoIP is contrary to this long-term goal and, ultimately, will impede the Commission's ability to implement long-term reform.

Second, applying bill-and-keep to VoIP traffic supports and encourages a prompt transition to all IP networks. Imposing access charges or other intercarrier compensation charges on VOIP provides an incentive for carriers to retain legacy TDM network infrastructure in order to obtain access charges rather than invest in IP networks.

Third, a bill-and-keep regime for VoIP is economically efficient and sends appropriate price signals to the market. Establishing bill-and-keep for VoIP as part of an overall transition to bill-and-keep for all intercarrier compensation is the first step in a necessary shift from the black box of implicit universal

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service subsidies to more transparent and efficient explicit subsidies. Unlike the current intercarrier compensation regime, in which the cost of providing service is passed on to other providers through access charges, rather than being recovered from a provider's end users, a bill-and-keep regime imposes these costs on the users that create them. Likewise, a bill-and-keep methodology shifts these costs to end users rates, which are subject to competition, rather than burying them in intercarrier compensation rates, which the Commission has found may be subject to a terminating access monopoly.

We also responded to the primary objections raised by parties that the imposition of bill-and-keep on VoIP will create additional opportunities for arbitrage as companies try to disguise their traffic as VoIP. Specifically, Vonage proposed that the Commission require carriers to provide an appropriate indicator in the Calling Party Category parameter and XO proposed similar use of the Jurisdictional Indicator Parameter to designate a call as VoIP. Vonage noted that these alternatives, combined with the possibility of enforcement action for violating the phantom traffic rules, provide a disincentive for unscrupulous companies to mislabel traffic in order to avoid intercarrier compensation charges.

Vonage also noted that the Commission has authority to establish bill-and-keep for VoIP under Section 251(b)(5) of the Communications Act. Therefore, it is not necessary to classify VoIP as a "telecommunications service" in order to resolve intercarrier compensation issues. Vonage also suggested it would be inappropriate for the Commission to classify VoIP, which has low barriers to entry and high levels of competition, as a "telecommunications service" as a backdoor way to exercise jurisdiction over broadband, which has high barriers to entry and less competition.

This ex parte notification is being filed electronically in each of the above-referenced dockets pursuant to Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206.

Respectfully submitted,

/s/

Michael P. Donahue  
Counsel for Vonage Holdings Corp.

cc: Sharon Gillett (via email)  
Lynne Engledow (via email)  
Victoria Goldberg (via email)  
Marcus Maher (via email)  
Belinda Nixon (via email)  
Jonathan Perl (via email)